

Office of Management and Budget Performance Plan

Joseph Beach, Director
August 8, 2008

Agenda

- **Welcome and Introductions**
- OMB At-A-Glance
- Hiring Freeze
- Headline Measures
- Wrap-up



CountyStat Principles

- **Require Data Driven Performance**
- **Promote Strategic Governance**
- **Increase Government Transparency**
- **Foster a Culture of Accountability**



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OMB's Contribution to Montgomery Results

- **A Responsive and Accountable County Government**
- Affordable Housing in an Inclusive Community
- An Effective and Efficient Transportation Network
- Children Prepared to Live and Learn
- Healthy and Sustainable Communities
- Safe Streets and Secure Neighborhoods
- A Strong and Vibrant Economy
- Vital Living for all of Our Residents

OMB contributes to all of the foregoing Montgomery Results, but its primary contribution is toward:

A Responsive and Accountable County Government



OMB At-A-Glance

| What OMB Does and for Whom | How Much |
|--|---|
| <p><u>Overall</u></p> <p>The mission of the Office of Management and Budget is to support and enhance the effective, efficient operation of County government, maintain the County's fiscal integrity and financial condition, and preserve the County's AAA bond rating.</p> | <ul style="list-style-type: none"> ▪ FY09 Budget: \$4,067,640 ▪ Number of Employees: 34 ▪ Workyears: 30.0 (excluding 2.0 WY detailed to ERP) |
| <p><u>Budget Preparation and Administration</u></p> <p>Preparing and administering the operating and capital budgets, the six-year Capital Improvements Program (CIP), and the six-year fiscal plan (operating budget)</p> | <ul style="list-style-type: none"> ▪ \$2,033,820 ▪ 15.0 workyears ▪ 50.0% of total budget ▪ Reviewed \$5.22 billion in operating requests for FY09 (740 competition list items) ▪ Reviewed 578 capital projects worth \$5.04 billion ▪ Reviewed and acted on 385 position actions (PPFs) ▪ Reviewed and executed 741 appropriation transfer requests (BEs) |
| <p><u>Performance Analysis and Improvement</u></p> <p>Providing management support through coordination of productivity improvements, performance measurement, and program evaluation</p> | <ul style="list-style-type: none"> ▪ \$813,528 ▪ 6.0 workyears ▪ 20.0% of total budget ▪ Reviewed/published 429 performance measures ▪ Developed forms and procedures and provided training to implement results based budgeting |

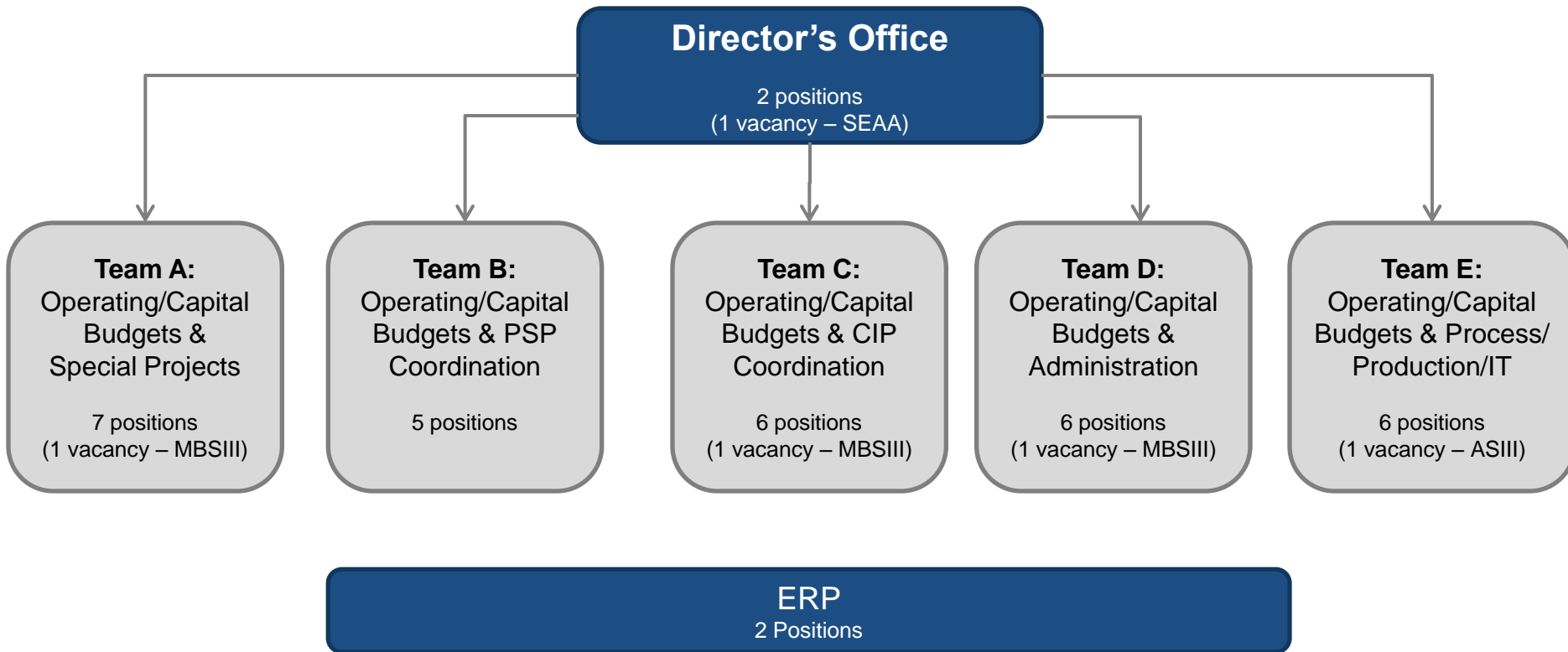


OMB At-A-Glance (*continued*)

| What OMB Does and for Whom | How Much |
|--|--|
| <p><u>Provision and Support of Budget Information Systems</u></p> <p>Developing, administering, and providing information technology systems (including ongoing customer support for these systems) that allow County departments to prepare, manage, and analyze their operating and capital budgets</p> | <ul style="list-style-type: none"> ▪\$610,146 ▪4.5 workyears ▪15.0% of total budget ▪Operated and maintained 4 separate IT systems that serve OMB and the enterprise |
| <p><u>Provision of Fiscal Information and Advice</u></p> <p>Providing accurate, timely, and objective information, analysis, and recommendations on fiscal issues to the County Executive, County departments, the County Council, and the general public</p> | <ul style="list-style-type: none"> ▪\$406,764 ▪3.0 workyears ▪10.0% of budget ▪Conducted 6 operating budget forums ▪Drafted 247 CECCs ▪Prepared 67 fiscal impact statements ▪Provided 20 budget presentations to various committees, resident groups, foreign delegations, and others on the budget and fiscal issues |
| <p><u>Policy Development and Implementation</u></p> <p>Developing, promulgating, and applying appropriate budgetary policies and procedures</p> | <ul style="list-style-type: none"> ▪\$203,382 ▪1.5 workyears ▪5.0% of total budget ▪Developed or participated in the development of 10 new or revised budgetary policies and procedures |



Organization Structure



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- Welcome and Introductions
- OMB At-A-Glance
- **Hiring Freeze**
- Headline Measures
- Wrap-up



Hiring Freeze

Impact

The following positions remain unfilled at the present time:

- 1 Senior Executive Administrative Aide (Grade 18)
 - 1 Administrative Specialist III (Grade 23)
 - 3 Management and Budget Specialist IIIs (Grade 25)
- All five positions have received exemptions from the hiring freeze because of the critical and specialized nature of their work
 - The Management and Budget Specialist positions were exempted due to anticipated turnover in the next few months resulting from recruitments by other departments that require budget expertise
 - Recruitments are currently underway for all of these positions except one of the Management and Budget Specialist IIIs



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- Hiring Freeze
- **Headline Measures**
 1. Customer satisfaction: percentage of customers rating OMB services as good or very good
 2. Variance between budgeted and actual expenditures
 3. Average number of days to process requests
 4. GFOA Distinguished Budget Presentation Award
 5. Results based budgeting measure
 6. Per capita tax supported actual and deflated expenditures
- Wrap-up



OMB's Headline Performance Measures

Revised Headline Measures

1. Customer satisfaction: percentage of customers rating OMB services as good or very good (*under construction*)
2. Variance between budgeted and actual expenditures
3. Average number of days to process requests
4. GFOA Distinguished Budget Presentation Award
5. Results based budgeting measure (*under construction*)
6. Per capita tax supported actual and deflated expenditures (*under construction*)

Measures being removed

7. Bond rating
8. Number of requests processed
9. Value of productivity improvements identified and implemented



Relationship Between the Headline Performance Measures and Major OMB Functions

| | Measure # | | | | | |
|---|-----------|---|---|---|---|----------|
| | 1 | 2 | 3 | 4 | 5 | 6* |
| Budget Preparation and Administration | | ✓ | ✓ | ✓ | ✓ | <i>i</i> |
| Performance Analysis and Improvement | | | | ✓ | ✓ | <i>i</i> |
| Provision and Support of Budget Information Systems | ✓ | | | | | <i>i</i> |
| Provision of Fiscal Information and Advice | ✓ | | ✓ | ✓ | | <i>i</i> |
| Policy Development and Implementation | ✓ | | | | ✓ | <i>i</i> |

* Indicator



Headline Measure 1: Customer Satisfaction (under construction)

| | FY07 Budget Process | FY08 Budget Process |
|--|------------------------|------------------------|
| <u>Measure 1A:</u> Percentage of customers rating the overall quality of service provided by OMB as “good” or “very good” (OMB customer survey) | 91.1% | 87.2% |
| <u>Measure 1B:</u> Percentage of customers rating their satisfaction with the overall quality of service received from OMB as “satisfied” or “very satisfied” (MLS survey) | NA | 89.9% |

OMB will be working with CountyStat to determine which variables to include in a composite rating utilizing the OMB customer survey data.



Headline Measure 1: Customer Satisfaction (**under construction**)

Customer satisfaction will be measured using the following methodology:

- **Step1:** Determine type of survey
- **Step 2:** Identify population to be surveyed
- **Step 3:** Determine customer satisfaction variables to be included in survey
- **Step 4:** Aggregate customer satisfaction variables to give an overall customer satisfaction metric



Headline Measure 1: Customer Satisfaction (under construction)

- **Type of Survey**
 - OMB Customer Survey
- **Population Surveyed**
 - Intense users of OMB services
 - Council staff personnel
 - Executive Branch personnel
- **Customer satisfaction variables**
 - Helpfulness and cooperativeness
 - Accessibility of OMB Staff
 - Timeless of responses
 - Fairness of OMB analysts
 - Quality of OMB training and instructional materials
 - Provision of effective support in problem solving
- **Customer satisfaction variables will be aggregated to give an overall customer satisfaction metric**



Headline Measure 1:

Customer Satisfaction (under construction)

- **The OMB survey targets “intense” users of OMB services and provides specialized information focused on the budget process**
 - Department directors and division chiefs are generally excluded, except in a few cases (mostly involving the CIP) where division chiefs have interacted regularly with OMB staff regarding the budget
 - The 2006 survey did not include Council staff, but the 2007 survey did include such staff as well as additional Executive Branch personnel
- **OMB has initiated a special project to establish specific customer service standards and to identify actions that can be taken to enhance responsiveness, innovation, and other areas in need of improvement**

OMB's Customer Survey provides a strong population base able to accurately reflect on OMB's work.



Headline Measure 2: Variance between budgeted and actual expenditures

Original budget variance measures

| | FY05 | FY06 | FY07 |
|---|-------|-------|-------|
| Overall average variance between budgeted and actual tax supported expenditures | 2.3% | 2.4% | 3.3% |
| Percentage of departments/NDAs that overspent their tax supported budget | 38.9% | 27.8% | 22.2% |
| Total number of departments and NDAs that overspent | 17 | 14 | 19 |
| Departments and NDAs with a FY07 budget \geq \$10 million that overspent | 6 | 5 | 3 |

These measures include all departments, offices, and NDAs with an FY07 budget \geq \$10 million



Headline Measure 2: Variance between budgeted and actual expenditures

Proposed budget variance measures**

| | FY05* | FY06* | FY07* |
|--|-----------|-----------|-----------|
| Average absolute variance between budgeted and actual tax supported expenditures | 4.40% | 3.22% | 4.05% |
| Percentage of departments that overspent their tax supported budget | 27.8% | 24.3% | 26.3% |
| Number of departments that overspent | 10 | 9 | 10 |
| Average over expenditure | \$271,983 | \$317,771 | \$513,273 |
| Median over expenditure | \$105,218 | \$162,367 | \$108,618 |

* Includes all departments regardless of budget size, but exclude NDAs

**Does not include grants and enterprise funds

- Elimination of NDAs puts the focus on the departments, where it should be
- All departments, regardless of budget size, are responsible for not exceeding their budget



Headline Measure 2: Variance between budgeted and actual expenditures

- **Expectation: Expenditures \leq Budget**
 - Departments should **NOT** overspend their budgets
 - Large under-expenditures are reviewed on a case-by-case basis

- **Contributing and restricting factors that affect budget variances**
 - Changes in workload, including special projects
 - Additional expenses associated with turnover or absenteeism
 - Increased cost of routine purchases: supplies, fuel, utilities, leases, service contracts, etc.
 - Under-budgeting, especially for highly variable costs
 - Increases in requested or mandated reimbursements and rebates
 - Changing or unpredictable State and Federal requirements/actions
 - Budget errors
 - Inability to achieve budgeted lapse



Headline Measure 2:

Variance between budgeted and actual expenditures

Departments over spending

| Department | FY05 | | FY06 | | FY07 | |
|---------------------------------|-------------|------|-----------|------|-------------|-------|
| | Variance | % | Variance | % | Variance | % |
| Public Information | \$77,951 | 7.3% | \$40,281 | 3.4% | \$178,711 | 13.9% |
| Ethics Commission | \$15,256 | 7.7% | \$7,819 | 3.7% | \$29,032 | 12.8% |
| Correction and Rehabilitation | | | \$509,386 | 0.9% | \$2,204,300 | 3.8% |
| Sheriff | \$709,900 | 5.2% | \$428,687 | 2.7% | \$423,374 | 2.3% |
| Economic Development | | | | | \$160,176 | 2.2% |
| County Executive | | | | | \$57,060 | 1.3% |
| Human Rights Commission | | | | | \$27,903 | 1.2% |
| Public Works and Transportation | | | \$708,082 | 0.4% | \$2,004,674 | 1.1% |
| Board of License Commissioners | | | | | \$9,839 | 0.9% |
| County Attorney | \$117,183 | 2.5% | \$95,125 | 1.9% | \$37,659 | 0.7% |
| Board of Appeals | | | \$7,001 | 1.3% | | |
| State's Attorney | \$191,739 | 2.0% | \$162,367 | 1.6% | | |
| Police | \$438,329 | 0.3% | \$901,193 | 0.5% | | |
| Utilities | \$1,025,637 | 6.2% | | | | |
| Finance | \$93,252 | 1.1% | | | | |
| Commission for Women | \$9,045 | 1.0% | | | | |
| Circuit Court | \$41,535 | 0.5% | | | | |



Headline Measure 2:

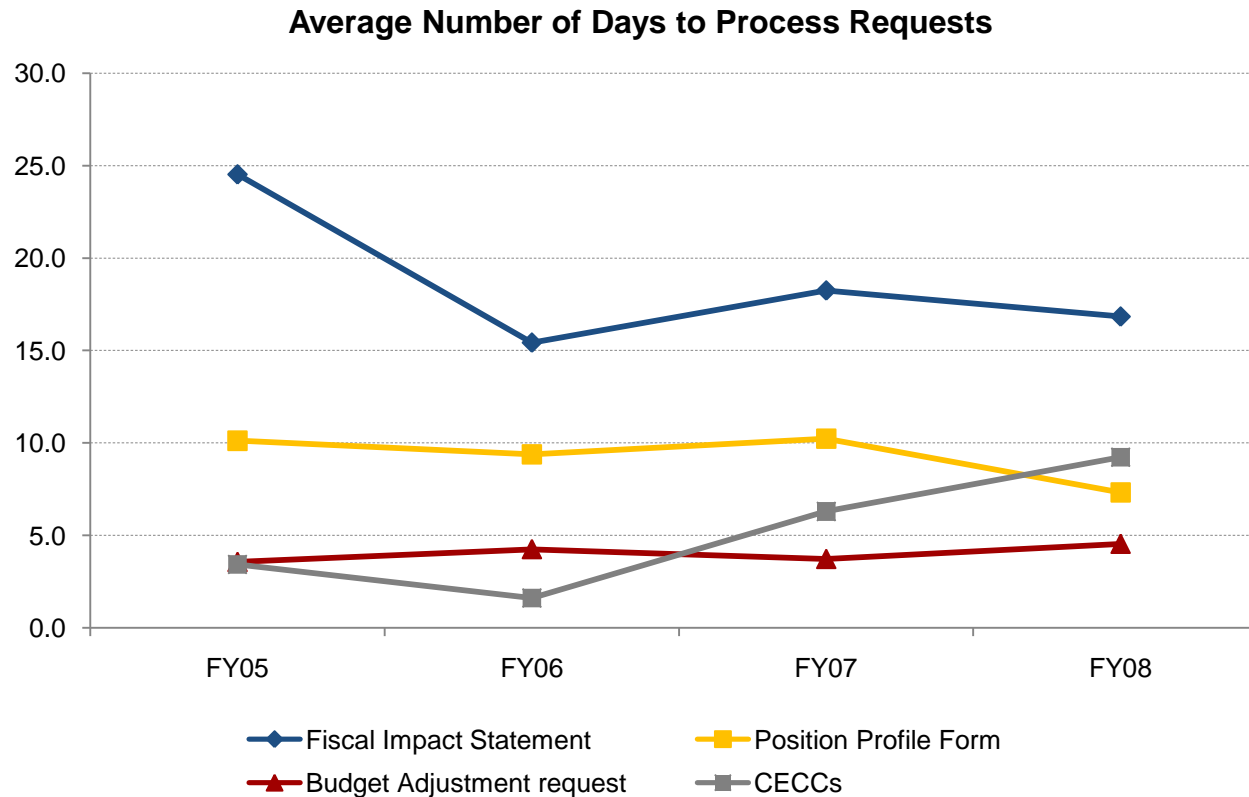
Variance between budgeted and actual expenditures

Departments under spending

| Department | FY05 | | FY06 | | FY07 | |
|-------------------------------|--------------|-------------------------|--------------|-------------------------|--------------|-------------------------|
| | Variance | Variance as % of Budget | Variance | Variance as % of Budget | Variance | Variance as % of Budget |
| County Executive | \$ 84,017 | 2.07% | \$ 314,979 | 7.27% | | |
| Department of Finance | | | \$ 199,449 | 2.09% | \$ 428,967 | 4.01% |
| Economic Development | \$ 42,110 | 0.79% | \$ 4,067 | 0.06% | | |
| Environmental Protection | \$ 217,759 | 5.46% | \$ 351,103 | 8.23% | \$ 720,794 | 14.83% |
| Fire and Rescue Service | \$ 1,206,015 | 0.85% | \$ 103,558 | 0.06% | \$ 2,874,927 | 1.52% |
| Health and Human Services | \$ 4,830,380 | 2.84% | \$ 2,357,215 | 1.25% | \$ 9,463,209 | 4.55% |
| Homeland Security | | | \$ 74,517 | 1.49% | \$ 353,282 | 5.67% |
| Housing and Community Affairs | \$ 104,329 | 1.46% | \$ 157,805 | 2.07% | \$ 408,514 | 7.17% |
| Human Resources | \$ 15,548 | 0.23% | \$ 1,708 | 0.02% | \$ 1,641 | 0.02% |
| Intergovernmental Relations | \$ 7,330 | 1.18% | \$ 17,546 | 2.62% | \$ 12,614 | 1.70% |
| Management and Budget | \$ 123,328 | 3.67% | \$ 189,520 | 5.25% | \$ 147,917 | 3.78% |
| Procurement | \$ 153,924 | 5.77% | \$ 92,315 | 3.29% | \$ 38,035 | 1.27% |
| Public Libraries | \$ 129,021 | 0.39% | \$ 122,958 | 0.34% | \$ 1,664,290 | 4.21% |
| Recreation | \$ 1,028,013 | 4.70% | \$ 607,646 | 2.39% | \$ 755,578 | 2.55% |
| Technology Services | \$ 138,140 | 0.47% | \$ 40,708 | 0.14% | \$ 1,637,818 | 4.26% |



Headline Measure 3: Average number of days to process requests



Time to process requests documents OMB's efficiency in handling customer needs.



Headline Measure 3:

Average number of days to process requests

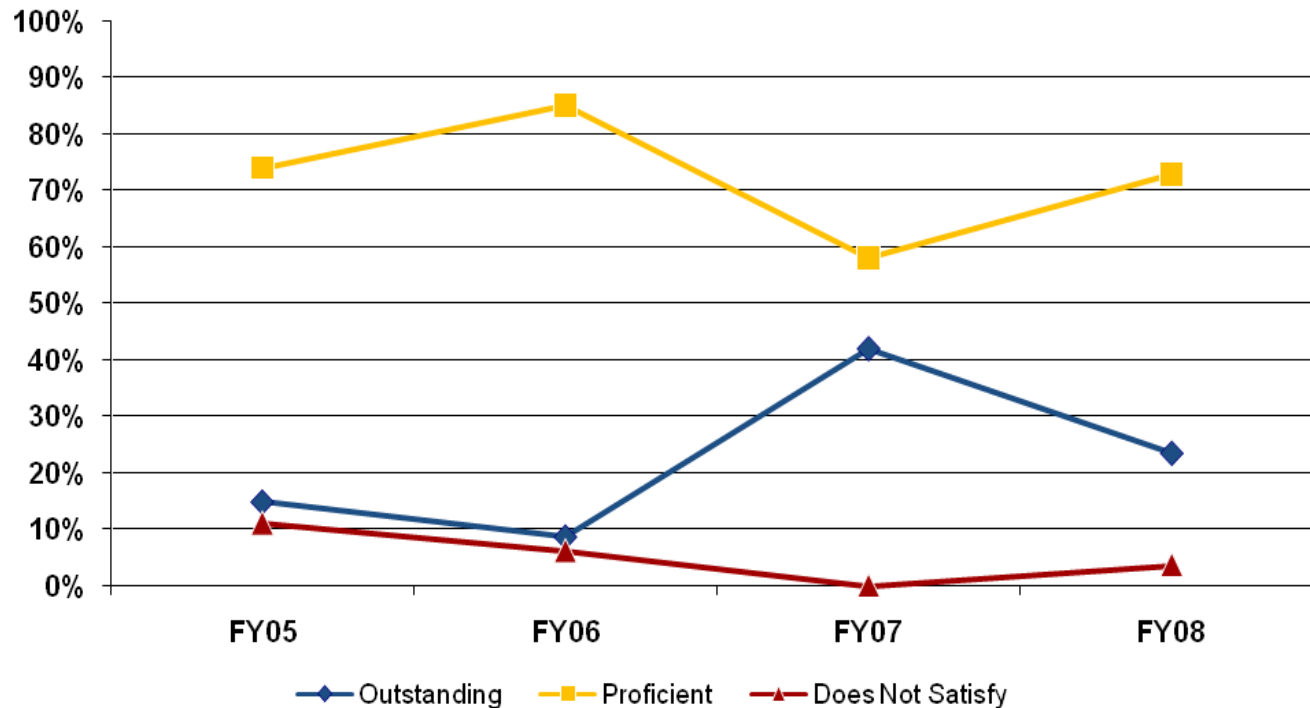
- **Responses to requests are currently prioritized by the urgency of the request**
 - Priority determined by
 - Requests involving matters of public safety or health that require immediate response
 - CECC requests and items that the department has indicated are needed quickly
 - Response times are affected by
 - Complexity of the request
 - When during the budget cycle the request is received
- **Goals and standards for responding to requests are being developed**
 - Will examine the MLS and OMB customer survey results as well as results achieved by other governments

All three components in the original measure remain. Average number of days to process CECCs has been added.



Headline Measure 4: GFOA Distinguished Budget Presentation Award

Distribution of ratings of GFOA award factors



The goal is to maintain or increase the percentage of “Outstanding” ratings and reduce the number of “Does Not Satisfy” ratings to zero.



Headline Measure 4:

GFOA Distinguished Budget Presentation Award

- **Original measure**

- Receipt of the Government Finance Officers Association (GFOA) award (yes or no)

- **Proposed measure**

- Percentage of GFOA award factors rated “Outstanding”, “Proficient”, and “Does Not Satisfy”
- **The combined rating of the budget document is based on how well the budget document performs as a**
 - Policy document
 - Financial plan
 - Operation guide
 - Communication device



Headline Measure 5: Results Based Budgeting Measure (under construction)

The following steps will be utilized to report on the performance of the Results Based Budgeting Headline Measure

- **Step1: Define** Results Based Budgeting and identify key goals
- **Step 2: Develop** Headline Measures that link overall policies and operational realities
- **Step 3: Identify** which programs are included under Results Based Budgeting policy
- **Step 4: Construct** timeline for implementation
- **Step 5: Create** agreement between OMB and reporting departments around submission of performance measures
- **Step 6: Collect** data from reporting departments in order to report on OMB's Results Based Budgeting headline measure



Headline Measure 5:

Results Based Budgeting Measure (under construction)

- **Definition:** Results Based Budgeting (RBB) is an approach to public resource allocation that requires all existing budget expenditures and requested new spending authority to be aligned with achieving defined priority results.
 - Applies to budget preparation, review, and decision-making processes
 - RBB applies to all Executive Branch departments and programs
 - Changes in budgeted resources are assessed and justified by changes in measurable results, supported by research or other evidence
 - Key goals
 - Decision making is based on data and evidence
 - County resources are prudently invested and managed so as to contribute to and achieve the County Executive's priority results
- **Headline Measure**

Composite measure across all departments of improvements in key performance measures (for example, percentage of all key performance measures that exhibited improved results during the preceding fiscal year)



Headline Measure 5: Results Based Budgeting Measure (**under construction**)

Headline Measure: Percent of departmental Headline Measures achieving positive change

- In order to measure positive change in departmental Headline Measures OMB will utilize the ongoing work CountyStat is doing to finalize measures and develop a dashboard to track the progress/positive change.
 - **Step 1:** Develop department Headline Performance Measures
 - **Step 2:** Finalize department measures
 - This will be completed by December 2008
 - **Step 3:** Track Data
 - **Step 4:** Monitor percent of measures achieving positive change

Following these steps ensures OMB an accurate calculation of composite scores for each department that accurately reflect their performance and can be utilized in Results Based Budgeting.



Headline Measure 5: Results Based Budgeting Measure **(under construction)**

- **In FY10, additional emphasis will be given to**
 - Developing and reviewing measures that relate resource requests to their contribution to priority results for key programs in selected larger departments
 - Restructuring Executive budget meetings into interdepartmental meetings focusing on measurement and attainment of results rather than departmental incremental requests



Headline Measure 5: Results Based Budgeting Measure **(under construction)**

| Timeline | Activity Description |
|--------------------|---|
| August | Identify key programs to be the focus of RBB |
| September-October | Refresher training |
| September-November | Develop/review measures with departments |
| December-February | Review budgets, measures, and other information and assess the merit of resource requests in relation to their contribution to priority results |
| March | County Executive decisions and budget publication |
| June-August | Implement additional RBB process changes, including development of additional program measures |
| August-September | Assess the availability and relevance of data for preparing the headline measure based on reported FY09 results |



Headline Measure 6:

Per capita tax supported actual and deflated expenditures (under construction)

- This is an Indicator level variable that OMB will be responsible for reporting
 - Variables will be reported on an annual basis beginning in FY09
 - Alternative deflators
 - Department of Commerce deflator index for state and local governments
 - CPI
- **Potential measure:** County Government workyears per 1,000 population
 - Data presented with each Recommended Operating Budget
 - High level indicator of fiscal condition and growth in size of workforce

Per capita tax expenditures is a high level indicator of fiscal condition/responsibility that document how much money is spent per county resident.



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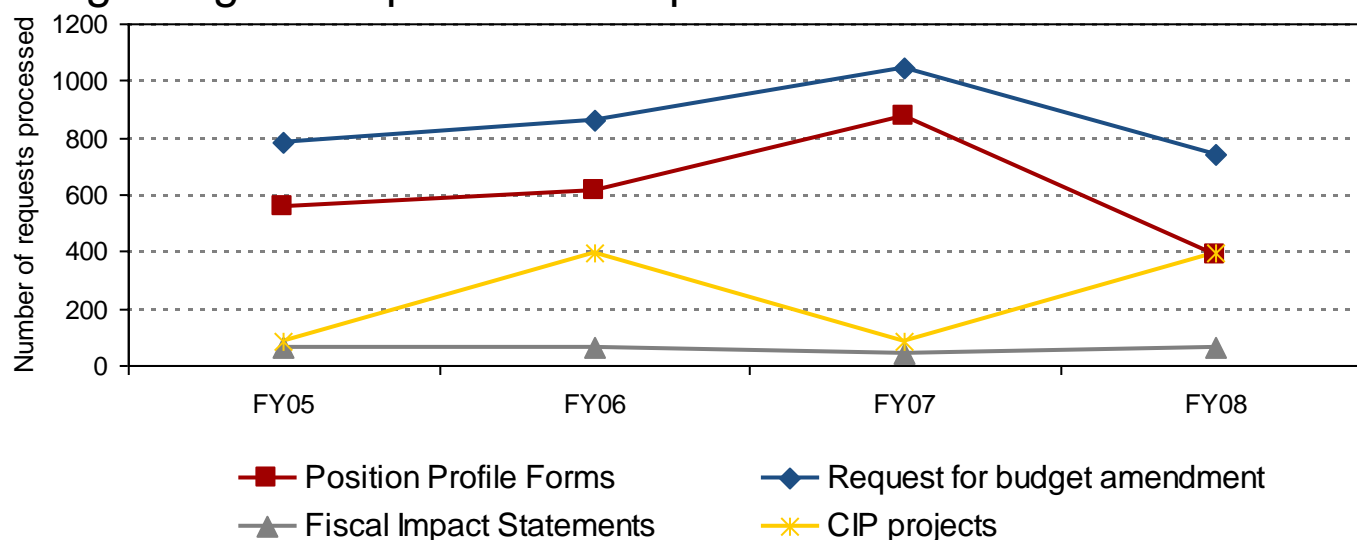
Headline Measures Being Removed

- **Measure 7: Bond rating**

- The AAA bond rating will still be reported by OMB, but will not be considered a Headline Measure.

- **Measure 8: Number of requests processed**

- This information will continue to be collected and reported at the beginning of the performance plan rather than as a headline measure.



Headline Measures Being Removed

- **Measure 9: Value of Productivity Improvements**

This measure will be computed as follows:

The total value of budget crosswalk items described by the verb
“decrease cost”

Minus

Cost decreases that correspond to reductions for prior year one-time expenditures, technical adjustments, and similar decreases that are not associated with productivity improvements

Note: Items characterized by the verb “decrease cost” are, by definition, reductions in cost with no decrease in service level or quality (therefore they involve productivity increases)



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- **Wrap-up**



Wrap-Up

- **Confirmation of follow-up items**
- **Time frame for next meeting**



Appendix

Potential measure:

County Government workyears per 1,000 population

HISTORY OF APPROVED COUNTY GOVERNMENT WORKYEARS PER 1,000 POPULATION
BY FUNDING CATEGORY: FY96-FY08 Approved, FY09 Recommended

